allocation and other cost accounting rules, as well as the price cap rules.[105] NYNEX asserts that FDC allocation of joint costs under the joint provision of basic and enhanced services results in lower rates for basic service than would be set under structural separation. Under FDC, a new enhanced service will bear some of the joint costs previously borne by the regulated services, whereas under structural separation, the regulated services will have to bear all of their own costs.[106] The more realistic scenario, however, is one where, on account of the costlier equipment and facilities necessary to meet enhanced service needs, the unseparated joint costs are much higher than they would have been for the regulated services alone under structural separation, but only a small portion of the higher joint costs is allocated to the actual cause of the higher costs -- the enhanced services.[107] Ironically, NYNEX also mentions the affiliate transaction rules as another safeguard,[108] apparently forgetting the spectacular failure of those rules in the MECO case.[109]

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[105] Ameritech Comments at 11; NYNEX Comments at 10-12.

[106] NYNEX Comments at 11.

[107] Hatfield Reply at 3.

[108] NYNEX Comments at 12-13.

[109] See New York Tel. Co. and New England Tel. Co. Violations of Commission's Rules, 5 FCC Rcd 5892 (1990).

E. The Already Lax Nonstructural Regulations Must Not be Weakened Further

Not satisfied with the monopoly leveraging allowed by structural integration, Bell Atlantic also seeks a relaxation of the already toothless nonstructural regulations. It argues that the CPNI rules are confusing and inconvenient for customers and that the Commission should return to the previous CPNI rules,[110/] which favored the BOCs over the ESPs in terms of access to all customers' information, rather than favoring the BOCs only as to information for customers with 20 or fewer lines, as the rules do now. It is understandable that Bell Atlantic would oppose the more equal enhanced service marketing conditions that now apply to large customers under the current CPNI rules and would seek the same overwhelming advantage as to access to customer information in that market that the BOCs still enjoy in the smaller business and residential markets. Bell Atlantic has not shown how asymmetric rules are less confusing for customers than symmetrical rules, however, and its overreaching should be rejected.[111/]

Bell Atlantic also requests a shortened network interface disclosure period, changes in the cost allocation rules that

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110/ Bell Atlantic Comments at 25-29.

111/ In fact, if anything, symmetrical rules, under which the customer has to take affirmative action to allow both the BOC's enhanced service personnel and ESPs to have access to the customer's proprietory information, would seem less confusing than different customer information access rules for BOC personnel and ESPs.

would allow more joint costs to be allocated to basic services and a shortened notification period for the announcement of a new ONA service prior to its use in connection with a BOC's enhanced services.[112] Bell Atlantic does not adequately justify any of these regulatory eviscerations and does not demonstrate why the BOCs should have the benefit of structural integration with no meaningful substitute therefor. For example, Bell Atlantic's examples of the inconvenience caused by the six-month network disclosure rule fall flat, since the technical changes involved in most of those situations underwent industry review periods lasting at least six months, giving the BOC enough time to give notice without delaying deployment.

Bell Atlantic's plea for abandonment of fully distributed costing (FDC), which NYNEX characterizes as "[t]he heart of the Commission's cost allocation safeguards,"[113] is even more grotesque, since that would make it even easier for the BOCs to deploy new facilities designed for unregulated services that are much costlier than necessary for basic services, while allocating most of the costs to the basic services. It would be a grave error to allow such gross misallocations just when the BOCs are starting to deploy new facilities for the next generation of competitive services, such as video dialtone.

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[112] Bell Atlantic Comments at 29-33.

[113] NYNEX Comments at 11.

CONCLUSION

For the reasons stated in MCI's Comments and these Reply Comments, as well as the Hatfield Report and Hatfield Reply, the BOCs have not borne their burden of demonstrating that the public benefits of eliminating the Computer II structural separation requirement would outweigh the costs to ratepayers and competition. Accordingly, the Commission should terminate the current interim Computer II waiver, thereby fully implementing the structural separation policy.

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CERTIFICATE OF SERVICE

I, Hilary Soldati, do hereby certify that the foregoing "REPLY COMMENTS" was served this 19th day of May, 1995, by first-class mail, postage prepaid, on the parties listed below:

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